

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 NEA-10 IO-13 ADP-00 AID-20 CEA-02

CIAE-00 COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01

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LIMITED OFFICIAL USE SECTION 1 OF 2 OECD PARIS 16968

E. O. 11652: N/ A

TAGS: EFIN, OECD

SUBJECT: 99 TH SESSION COMMITTEE FOR INVISIBLES TRANSACTIONS

REF: (A) DAF/ INV/73/13 1 ST REVISION

(B) FAF/ INV/72/27

(C) C(73) 83

(D) DAF/ INV/ 73/35

(E) DAF/ INV/73/36

(F) DAF/ INV/ 73/32

1. SUMMARY. AT MEETING JUNE 14-15, 1973 INVISIBLES COMMITTEE (A) REQUESTED SECRETARIAT TO PREPARE ECONOMIC ANALYSIS OF JUSTIFICATION FOR AUSTRALIAN ARTICLE 7 (B) DEROGATION REQUEST (REPORTED BY SEPTEL), (B) ACCEPTED DRAFT REPORT ON MODIFICATION OF CERTAIN RESERVATIONS ON INSURANCE ITEMS IN CODE PENDING CLEARANCE REVISED RESERVATIONS BY AUSTRIA, (C) DIRECTED SECRETARIAT TO PREPARE NEW REPORT ON MODIFICATION OF INVISIBLES CODE RELATING TO FILM VIDEO CASSETTES, (D) DIRECTED SECRETARIAT TO PREPARE NEW REPORT ON INWARD DIRECT INVESTMENT FOR SUBMISSION TO COUNCIL IN LIEU OF PRESENT REPORT (REF A): REPORT WILL BE REDONE AS AN INTRODUCTION TO SPECIAL SESSION ON DIRECT INVESTMENT TO B HELD DECEMBER 1973 (THIS ITEM REPORTED BY SEPTEL), (F) REQUESTED MEMBERS TO SUBMIT (REF (B) (RESTRICTIONS BY MEMBER GOVERNMENTS ON OUTWARD CAPITAL MOVEMENTS) TO THEIR NATIONAL AUTHORITIES FOR VERIFICATION. (G) POSTPONED CONSIDERATION OF AGENDA ITEM 6 (FURTHER LIBERLIZATION OF INWARD DIRECT INVESTMENT BY JAPAN) AT REQUEST OF JAPANESE EXPERT. NEXT MEETING WILL BE HELD JULY 16-18, 1973. ACTION REQUESTED: VERIFICATION OF REF (B) AS IT APPLIES TO U. S. END SUMMARY.

2. AGENDA ITEM 2: SEVERAL MEMBERS OF IC REFERRED TO STATEMENT BY U. S. SECRETARY SHULTZ TO OECD MINISTERIAL COUNCIL IN WHICH HE ALLUDED TO OECD CAPITAL MOVEMENTS CODE. THEY FELT THAT THIS RECOGNITION OF PART PLAYED BY CODE IN CURRENT CONTEXT WAS ENCOURAGING. U. S. EXPERT DISTRIBUTED LIMITED OFFICIAL USE
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COPIES OF STATEMENT TO EXPERTS. CHAIRMAN WAHL (FRANCE) NOTIFIED COMMITTEE HE EXPECTS TO BE TRANSFERRED TO FRENCH EMBASSY IN WASHINGTON AS FINANCIAL ADVISER BEFORE FALL 1973, AND WILL HAVE TO TERMINATE HIS ASSOCIATION WITH IC.

3. AGENDA ITEM 3: SECRETARIAT NOTED RECEIPT OF LETTER FROM AUSTRIAN AUTHORITIES NOTIFYING EXTENSION OF AUSTRIAN CONTROLS CURRENTLY SUBJECT OF DEROGATION REQUEST. VARIOUS EXPERTS COMPLAINED THEY HAD NOT RECEIVED THIS LETTER PRIOR TO CONSIDERATION BY EXECUTIVE COMMITTEE OF CASE FOR AUSTRIAN DEROGATION. SEVERAL NOTED THAT EXISTENCE OF TIME LIMITE IN INITIAL AUSTRIAN REQUEST HAD INFLUENCED

IC CONSIDERATION OF AUSTRIAN CASE. GERMAN EXPERT SUGGESTED THAT DIFFERENT TREATMENT GIVEN TO GERMAN AND JAPANESE CASES AS COMPARED WITH AUSTRIAN CASE MAY HAVE BEEN INFLUENCED BY EXISTENCE OF INITAIL MAY 31 CUT- OFF DATE FOR AUSTRIAN CONTROLS. U. S. EXPERT NOTED THAT DRAFT ENTRY IN AUSTRIAN CASE (REF C) STILL CONTAINED WORD TEMPORARY. SECRETARIAT KBERTRAND) SUGGESTED THAT CAPITAL CONTROLS IN AUSTRIAN CASE, ESPECIALLY ON INWARD INVESTMENT, WERE NOT REALLY USEFUL IN ANTI- INFLATION CONTEXT, SINCE AUSTRIA IS LETTING CERTAIN LARGE FIRMS BORROW IN EURO DOLLAR MARKET TO FINANCE DOMESTIC EXPANSION. MANY EXPERTS WONDERED WHY SUCH DISCRIMINATION WAS ALLOWED. NOTING THAT INFLOW THESE FUNDS WOULD HAVE SAME LIQUIDITY EFFECT ON DOMESTIC ECONOMY AS AN INFLOW OF DIRECT INVESTMENT CAPITAL.

4. AGENDA ITEM 4 - CHANGES IN MEMBER COUNTRY REGULATIONS: GERMAN EXPERT NOTED THAT HIS GOVERNMENT HAD INTRODUCED NEW MEASURE WHICH WOULD CONTROL PURCHASE OF DOMESTIC DEUTSCHE MARK CLAIMS BY NON- RESIDENTS FROM RESIDENTS IN GERMANY, AND AGREED TO PROVIDE IC WITH ADDITIONAL INFORMATION. RESPONDING TO QUESTION BY SECRETARIAT ON CHANGES IN DANISH EXCHANGE CONTROL SYSTEM, DANISH EXPERT INDICATED HIS AUTHORITIES HAD NOT COMPLETED WORK ON ANALYSIS OF POSSIBLE MODIFICATIONS IN DANISH RESERVATIONS TO CAPITAL CODE RESULTING FROM THESE CHANGES. HE NOTED NATIONAL BANK HAD MADE PROPOSALS WHICH MUST NOW BE APPROVED BY FOREIGN AFFAIRS MINISTRY AND MINISTRY OF COMMERCE. HOWEVER, HE INDICATED THAT COPY OF NEW REGULATIONS WOULD BE SUBMITTED TO SECRETARIAT AS SOON AS AN LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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APPROPRIATE TRANSLATION IS FINISHED.

5. AGENDA ITEM 5. INVOCATION OF DEROGATION BY AUSTRALIA: REPORTED BY SEPTEL.

6. AGENDA ITEM 6. LIBERALIZATION OF INWARD DIRECT INVESTMENT BY JAPAN: AT REQUEST OF JAPANESE EXPERT, CONSIDERATION THIS AGENDA ITEM WAS POSPONED UNTIL NEXT MEETING.

7. AGENDA ITEM 7. MODIFICATION RESERVATIONS ON INSURANCE ITEMS IN INVISIBLES CODE: COMMITTEE NOTED THAT REVISED TEXT OF FRENCH RESERVATIONS (REF E) HAD BEEN ACCEPTED BY FRENCH AUTHORITIES AND THAT REVISED AUSTRIAN RESERVATION WAS EXPECTED TO BE ACCEPTED BY AUSTRIA WITHOUT PROBLEM IN NEAR FUTURE. THERE WAS SHOR DISCUSSION OF GENERAL QUESTIONS CONCERNING ON- GOING WORK IN INSURANCE FIELD, AND ESPECIALLY QUESTION OF WHY OECD SHOULD POSTPONE ITS FURTHER EFFORTS AT LIBERALIZATION IN INSURANCE PENDING COMPLETION OF EC DIRECTIVES ON THESE QUESTIONS. U. S.

EXPERT AGAIN RAISED CONCERN REGARDING LIBERALIZATION OF INSURANCE WITHIN EC AS APPPOSED TO AMONG MEMBERS OF OECD. HE SUGGESTED THAT WHENEVER POSSIBLE, LIBERALIZATION WITHIN EC SHOULD BE APPLIED TO GREATEST EXTENT POSSIBLE AMONG ALL MEMBERS OF OECD. UNLESS THIS OCCURRED, OPPORTUNITY FOR FURTHER LIBERALIZATION OF INSURANCE WITHIN OECD MIGHT BE HAMPERED. SERAL EXPERTS TOOK ISSUE WITH AUSTRIAN CONTROL METHODS OUTLINED IN PARA 4 REF (E), BROWN

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